

**PUBLIC DISCLOSURE**

OCTOBER 4, 2000

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**HAVERHILL FIRE DEPARTMENT CREDIT UNION**

131 WATER STREET  
HAVERHILL, MA. 01830

DIVISION OF BANKS  
ONE SOUTH STATION  
BOSTON, MA 02110

<b>NOTE:</b>	This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.
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## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining industrial credit unions subject to its supervision, to assess the credit union's record of meeting the needs of its entire membership, including low and moderate-income members, consistent with safe and sound operation of the credit union. Upon conclusion of such examination, the Division must prepare a written evaluation of the credit union's record of meeting the credit needs of its membership.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Haverhill Fire Department Credit Union** prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

### **INSTITUTION'S CRA RATING: This institution is rated “Outstanding”**

This examination was conducted utilizing three performance criteria for small institutions: 1) Average Loan to Share Ratio, 2) Lending to Borrowers of Different Incomes, and 3) Fair Lending. Since Haverhill Fire Department Credit Union defines its assessment area by its membership rather than by geography in accordance with CMR 46.41 (8) no geographic-related performance criteria were utilized.

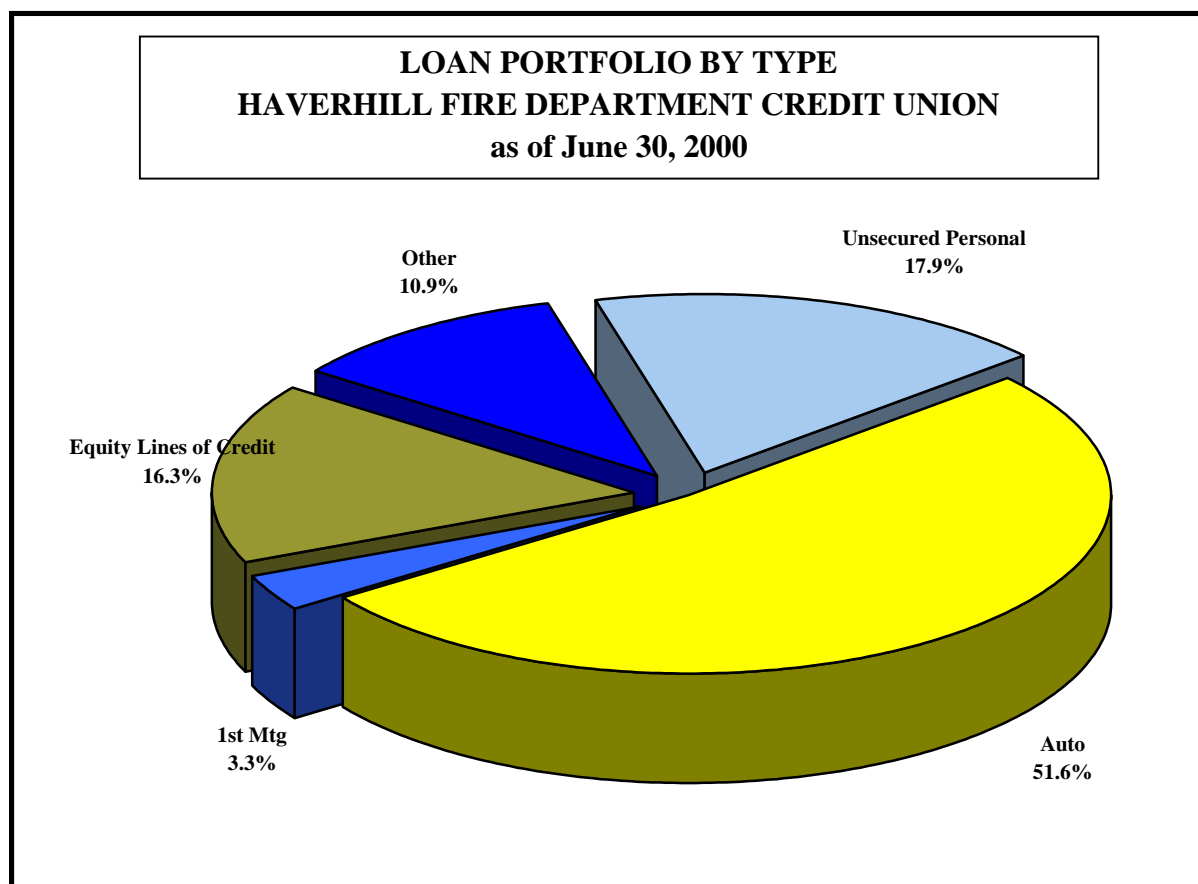
Haverhill Fire Department Credit Union was found to have exceeded the standards for satisfactory performance in its distribution of credit among individuals of different income levels. Its average loan to deposit (share) ratio was also found to be significant and to have exceeded the standards for satisfactory performance. A review of fair lending activity indicates a satisfactory performance.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

Haverhill Fire Department Credit Union is an industrial credit union chartered by the Commonwealth of Massachusetts in August 1933. It was founded to serve the employees and retirees of the Haverhill Fire Department and their families, as well as members of qualified associations. As of June 30, 2000, the credit union had assets of \$7,888,001. As of the examination date, loans comprised approximately 80.2 percent of all assets, or a total of \$6,325,153. The loan portfolio is composed of personal, auto, and home improvement loans.

The following chart illustrates the composition of the loan portfolio:



The credit union was last examined for compliance with the Community Reinvestment Act by the Division of Banks on October 9, 1997. That examination resulted in an Outstanding rating.

## **Description of Assessment Area (Membership)**

Haverhill Fire Department Credit Union defines its assessment area as its membership, in accordance with the state CRA Regulation, 209 CMR 46.41(8), which states "Notwithstanding the requirements of this section, a credit union whose membership by-law provisions are not based on residence may delineate its membership as its assessment area". Haverhill Fire Department Credit Union has elected to identify its assessment area in this manner.

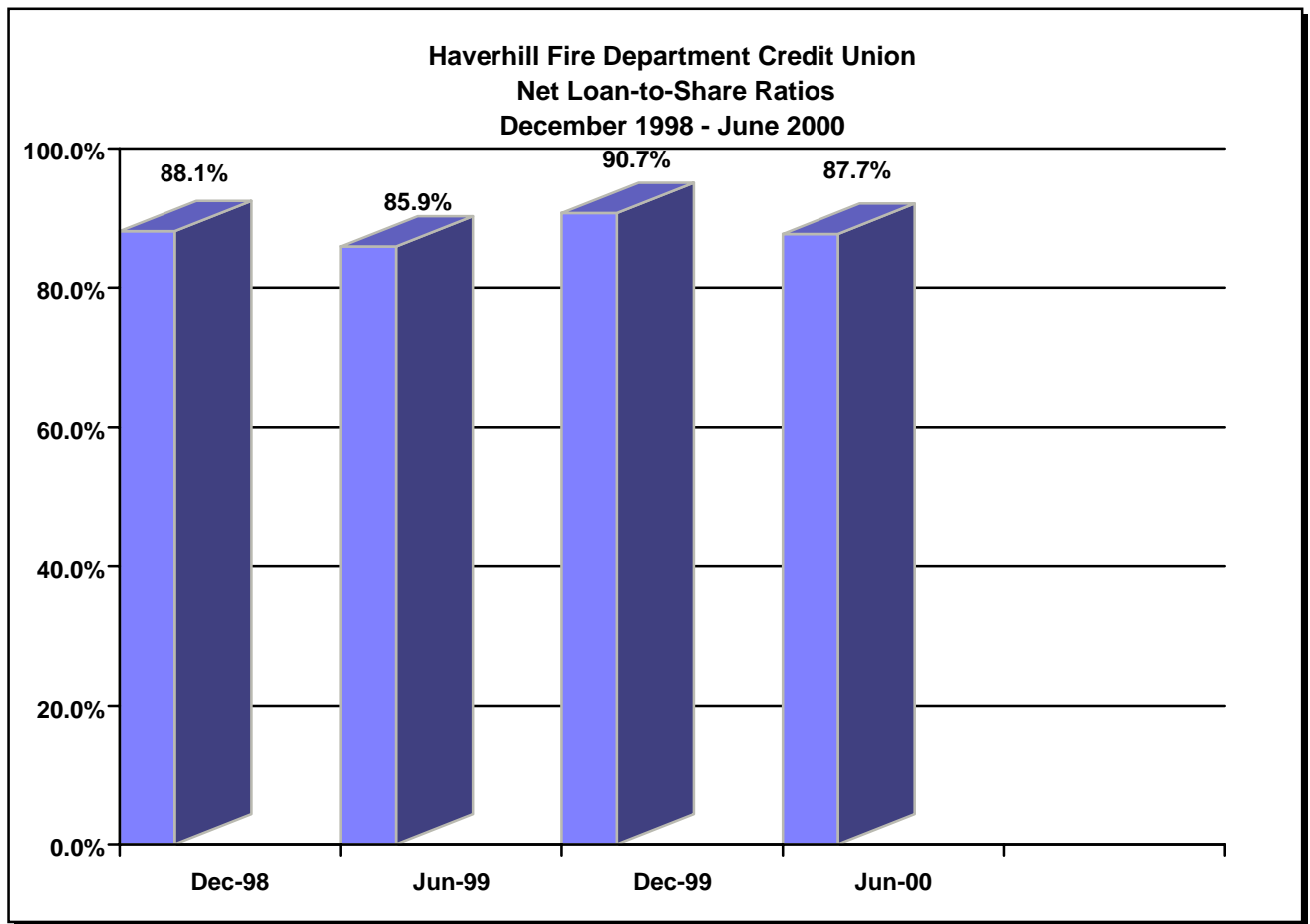
The by-laws of the Haverhill Fire Department Credit Union states that "Membership in this corporation is limited to those who are employees and retired members of the Haverhill Fire Department, their immediate families, and associations composed of persons eligible for membership in this credit union".

## **PERFORMANCE CRITERIA**

### **1. LOAN TO DEPOSIT ANALYSIS**

An analysis of Haverhill Fire Department Credit Union's net loan-to-deposit (share) ratio was performed during the examination. The calculation incorporated four semi-annual periods of the credit union's net loans as a percentage of total shares and deposits figures utilizing the National Credit Union administration (NCUA) 5300 Call reports. This review included the periods ending December 31, 1998, through June 30, 2000. The institution's average net loan-to-deposit (share) ratio during this period was determined to be 88.1%. The ratios appear to fluctuate semi-annually, due principally to either loan or deposit growths. During the current examination period, there was an increase of 28.7% in loans and an increase of 29.5% in shares and deposits.

The graph below reflects a steady and relatively high ratio trend.



Source: NCUA Call Reports

The credit union's loan to share ratio as of June 30, 2000 was compared to that of other similar institutions. Refer to the following table.

Institution	Assets	Loan-to-share ratio (%)
Lynn Firemens C.U.	\$8,172,134	91.7
Haverhill Fire Dept. C.U.	\$7,888,001	87.7
Cambridge Firemens C.U.	\$5,606,658	62.6
Revere FireFighters C.U.	\$3,273,684	24.1

As shown above, the credit union's loan-to-share ratio is significant and surpasses other similarly situated institutions. Based on the above information, the credit union exceeds the standards for satisfactory performance.

## 2. LENDING INSIDE AND OUTSIDE OF THE ASSESSMENT AREA

Under the revised CRA regulations, 209 CMR, section 46.41, a credit union whose membership is not based on residence, such as the Haverhill Fire Department Credit Union, may define its assessment area as its membership. Since a membership-defined assessment does not consider geography, an analysis involving credit extended inside or outside a particularly defined geographic area would not be meaningful.

## 3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

An analysis of consumer loans extended to the credit union's membership, among various income levels was conducted. Since the majority of members resided within the Lawrence MA-NH Metropolitan Statistical Areas (MSA), loan originations were categorized by the ratio of the applicant's reported incomes to the 1998, 1999, and 2000 estimated median family incomes of the Lawrence MA-NH (MSA). These median family incomes are \$56,700 for 1998, \$57,900 for 1999, and \$60,800 for 2000. Income figures were based on estimated 1998, 1999, and 2000 data from the Department of Housing and Urban Development (HUD).

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate income is defined as income between 50 to 79 percent of the median family income level for the MSA. Middle income is defined as income between 80 and 119 percent of the median family income level for the MSA. Upper income is defined as income greater than 120 percent of the median family income level for the MSA.

An analysis of a sample of consumer loans extended within the credit union's assessment area, among borrowers of various income levels was conducted. The sample was composed of 25 loans from each calendar year for 75 loans in total.

According to this analysis, 20.0 percent of these loans were granted to low-income members and 30.7 percent were made to moderate-income members. By dollar amount, 15.9 percent were extended to low-income members, and 30.4 percent to moderate-income members. Refer to the following tables.

### **CONSUMER LOAN ORIGATION BY INCOME OF BORROWER BY NUMBER**

% OF MEDIAN MSA INCOME	1998		1999		Y-T-D 2000		TOTAL	
	#	%	#	%	#	%	#	%
Less than 50%	2	8.0	8	32.0	5	20.0	15	20.0
50% - 79%	11	44.0	5	20.0	7	28.0	23	30.7
80%-119%	9	36.0	11	44.0	11	44.0	31	41.3
120% and over	3	12.0	1	4.0	2	8.0	6	8.0
<b>TOTAL</b>	<b>25</b>	<b>100.0</b>	<b>25</b>	<b>100.0</b>	<b>25</b>	<b>100.0</b>	<b>75</b>	<b>100.0</b>

Source: In-house Credit Union files

### **CONSUMER LOAN ORIGINATIONS BY INCOME OF BORROWER BY DOLLAR AMOUNT**

% OF MEDIAN MSA INCOME	1998		1999		Y-T-D 2000		TOTAL	
	\$000	%	\$000	%	\$000	%	\$000	%
Less than 50%	27	9.9	61	23.1	40	14.9	128	15.9
50% - 79%	108	39.7	57	21.6	79	29.5	244	30.4
80%-119%	108	39.7	126	47.7	133	49.6	367	45.6
120% and over	29	10.7	20	7.6	16	6.0	65	8.1
<b>TOTAL</b>	<b>272</b>	<b>100.0</b>	<b>264</b>	<b>100.0</b>	<b>268</b>	<b>100.0</b>	<b>804</b>	<b>100.0</b>

Source: In-house Credit Union files

It should be noted that consumer loans typically consider the income of only one borrower. For the purposes of this analysis, however, they are compared to a median family income, which may skew the data and result in a higher penetration of lending within the lower income categories.

The distribution of credit among members reflects an excellent penetration among members of different income level, especially those of low and moderate-income. A rating of "exceeds the standards for satisfactory performance" is thus assigned.

#### **4. GEOGRAPHIC DISTRIBUTION OF LOAN**

As stated above, Haverhill Fire Department Credit Union has identified its assessment area as its membership in accordance with CMR 209 46.41 (8). Therefore no evaluation of geographic-related performance factors was considered.

#### **5. REVIEW OF COMPLAINTS/FAIR LENDING**

Haverhill Fire Department Credit Union has not received any complaints related to its CRA performance since the previous examination. However, the credit union has procedures in place should any consumer complaints related to CRA be received.

#### **FAIR LENDING POLICIES AND PRACTICES**

Haverhill Fire Department Credit Union does not have a formal fair lending policy, however the credit union has met many of the requirements of Regulatory Bulletin 2.3-101. The credit union's loan policy was last approved by the Board of Directors in January 2000.

#### **STAFF TRAINING**

The credit union has taken reasonable steps to train its staff in matters pertaining to Fair Lending and CRA given its resource limitations.

## **STAFF COMPOSITION**

The credit union employs five part-time individuals.

## **OUTREACH**

The credit union's primary outreach effort is accomplished through the Board of Directors' daily contact with the membership. Each quarter the credit union encloses a brochure in every member's statement. The credit union posts fliers in all firehouses when a new product is offered. In addition, the credit union publishes a newsletter "Haverhill Fire Department Credit Union Fire Lines Newsletter" which informs its membership of new products, upcoming lending programs and general information pertaining to the credit union's activities. No portion of the membership appears to be excluded from these efforts.

## **MARKETING**

The credit union notifies its members of lending and savings promotions through statement stuffers, fliers, brochures and mailings.

## **FLEXIBLE PRODUCTS AND UNDERWRITING STANDARDS**

The credit union offers a variety of consumer, home improvement and home equity loans. In addition, during the current examination period, special loan products were offered. The loan products included: a "Spring Loan Special" which had reduced rates on new auto and personal unsecured loans; a "Directors Sizzling Summer Special" which offered a 1% discount on new and used auto rates; a "Christmas Loan Special" for \$1,500 for one year with a reduced rate; a "65<sup>th</sup> Anniversary Special" which offered home equity loans with no closing costs, no fees and a rate at prime; and a "Uncle Loan Special" which offered 1% off auto and recreational loans.

## **CREDIT EDUCATION**

The credit union does not participate in any credit education programs.

## **COUNSELING**

The credit union utilizes a Director who is a Certified Financial Planner for any counseling services needed by its membership.

## **SECOND REVIEW PRACTICES**

All underwriting decisions are reviewed to ensure that reasons for denials are justified and that declined applications received equal consideration. The credit committee completes a review that is included in the declined or withdrawn loan file. The credit committee reports its findings to the Board of Directors.



## **INTERNAL CONTROLS**

The credit union uses the credit committee as its primary internal control mechanism.

## **CONCLUSION**

Based on the foregoing information, the credit union meets the standards for satisfactory performance in this category.

**THE COMMONWEALTH OF MASSACHUSETTS**

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

**HAVERHILL FIRE DEPARTMENT CREDIT UNION**

For compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **OCTOBER 4, 2000**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_

## PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.